

GREATER KOKSTAD MUNICIPALITY

ANNUAL ADJUSTED BUDGET OF

GREATER KOKSTAD

MUNICIPALITY

2013/14 TO 2015/16

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	NKPIs	National Key Performance Indicators
ASGISA	Accelerated and Shared Growth Initiative	OHS	Occupational Health and Safety
BPC	Budget Planning Committee	OP	Operational Plan
CBD	Central Business District	PBO	Public Benefit Organisations
CFO	Chief Financial Officer	PHC	Provincial Health Care
CM	Municipality Manager	PMS	Performance Management System
CPI	Consumer Price Index	PPE	Property Plant and Equipment
CRRF	Capital Replacement Reserve Fund	PPP	Public Private Partnership
DBSA	Development Bank of South Africa	PTIS	Public Transport Infrastructure System
DORA	Division of Revenue Act	RG	Restructuring Grant
DWA	Department of Water Affairs	RSC	Regional Services Council
EE	Employment Equity	SALGA	South African Local Government Association
EEDSM	Energy Efficiency Demand Side Management	SAPS	South African Police Service
EM	Executive Mayor	SDBIP	Service Delivery Budget Implementation Plan
FBS	Free basic services	SMME	Small Micro and Medium Enterprises
GAMAP	Generally Accepted Municipal Accounting Practice		
GDP	Gross domestic product		
GDS	Gauteng Growth and Development Strategy		
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
kℓ	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTEF	Medium-term Expenditure Framework		
MTREF	Medium-term Revenue and Expenditure Framework		
NERSA	National Electricity Regulator South Africa		
NGO	Non-Governmental organisations		

Part 1 – Annual Adjusted Budget

1.1

1.1 MAYORAL ADJUSTMENT BUDGET PRESENTATION



27th February 2014 at the Oval Boardroom.

The preparation process of the Capital and Operating Budget 2013/2014 has commenced as expected by submitting the Budget and IDP Review plan to Council for approval in 31 August 2012. The Executive Managers and Management have submitted their budget proposals timeously and advised for consolidation in one Council Budget. The consolidated budget has been discussed by Management and adjustments were subsequently made.

The submissions were based on the Medium Term Revenue and Expenditure Framework for 2013/2014 to 2015/2016 and these were mainly for the operating estimates as well as Capital estimates. The IDP and Budget review process has been conducted in most wards as coordinated by the office of the Mayor, Ward Councillors, IDP office, Financial Services and the Municipal Managers offices.

This exercise was carried out in order to establish the Capital Budget priorities as per IDP as well as to review the IDP for consideration of the Budget preparation process. The draft budget has been tabled in Council and adopted by 27 March 2013 as required by the MFMA. The final budget as well as budget related policies and proposed tariffs have been presented in budget community meetings/ budget hearings for input by the communities. Final budget has been tabled in Council and adopted by 27 June 2013 as required by the MFMA. These were held during the month of April 2013. Community comments and suggestions from the consultative process have been noted and some considered and incorporated in the budget.

In terms of Section 72 of the MFMA, the Accounting Officer must by the 25th of January of each year assess the performance of the Municipality during the first half of the financial year.

The Accounting Officer is also expected to make recommendations as to whether an adjustment budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The performance assessment and the budget projections as per the table above will necessitate the adjustments on the 2013/2014 approved budget both on capital and operating projections. According to National Treasury budget regulations; the adjusted budget must be approved by the Council by 28th February as it is informed by the mid-term performance assessment.

The adjustment budget is performed to cater and cover for the over expenditure and unauthorized expenditure and this should be done once in the budget year at least after six months. Once this is done, then the savings or over expenditure realized should be allocated to cover where there are gaps. This needs to be submitted to council for approval and implementation. The adjustment budget for 2013/14 is prepared with other budgeted items being increased or decreased depending on the six months implementation rate.

1.2 Council Resolutions

On 24st February 2014 the Council of Greater Kokstad Municipality met in the Council Chambers to consider the annual adjusted budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

1. The Council of Greater Kokstad Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual adjusted budget of the municipality for the financial year 2011/12 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Greater Kokstad Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services, as set out in Annexures E1 to E21 respectively.
3. To give proper effect to the municipality's annual budget, the Council of Greater Kokstad Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/14 MTREF process; and
- Availability of affordable capital.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R79,6 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Capacity Building – R 250,000
 - Community Participation – R1,222,000
 - Communication and Corporate Imaging – R 550,000
 - Internal Audit and Risk Management – R1,500,000
 - Youth, Sport and Recreation Programs – R2,150,000
 - Special Programs – R72,775
 - Revenue Management – R3,188,999
 - Asset Management – R 400,000
 - Budget Reporting and Audit Management – R 1,600,000
 - Debt Impairment – R 15,000,000
 - Depreciation and Asset Impairment – R40,000,000
 - Planning Projects – R 455,000
 - Community Services programs – R2,920,000
 - Community Safety programs – R2,675,000
 - Administration programs – R6,220,000
 - Human Resources Management – R1,460,000

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustment Budget 2013/2014	Budget Year 2013/2014
Total Operating Revenue	244,253,832	289,430,416
Total Operating Expenditure	267,389,214	246,089,621
Surplus/(Deficit) for the year	-23,135,382	43,340,795
Total Capital Expenditure	60,135,602	104,969,500

Total adjusted operating revenue has decreased by 15,5 per cent or R45million for the Adjustments Budget 2013/14 financial year when compared to the 2013/14 Original Budget.

Total adjusted operating expenditure for the 2013/14 financial year has been appropriated at R267.0 million and translates into a budgeted deficit of R23,1 million. When compared to the 2013/14 Original Budget, operational expenditure has increased due to non-cash items amounting to R40 million by 0,7 per cent in the 2013/14 adjusted budget.

The adjusted capital budget of R60 million for 2013/14 is 42, 8 per cent less when compared to the 2013/14 Original Budget. The decrease is due to various projects that are put on hold. A substantial portion of the capital budget will be funded from council surpluses over MTREF with anticipated transfers of R13,3 million in 2013/14 MTREF.

Operating Revenue Framework

For Greater Kokstad Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Table 2 Summary of Adjusted revenue classified by main revenue source

Description R thousands	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi- year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
<u>Revenue By Source</u>											
Property rates	121,099	-	-	-	-	-	(40,042)	(40,042)	81,057	127,153	133,511
Property rates - penalties & collection charges	2,811						(1,011)	(1,011)	1,800	2,955	3,100
Service charges - electricity revenue	89,337	-	-	-	-	-	(1,098)	(1,098)	88,239	93,804	98,495
Service charges - refuse revenue	10,889	-	-	-	-	-	(1,000)	(1,000)	9,889	11,434	12,006
Service charges - other	1,240						460	460	1,700	1,303	1,367
Rental of facilities and equipment	1,162						(472)	(472)	690	1,222	1,281
Interest earned - external investments	450						(168)	(168)	282	473	496
Interest earned - outstanding debtors	-						33	33	33		
Dividends received							368	368	368		
Fines	1,000						(700)	(700)	300	1,051	1,102
Licences and permits	3,000						500	500	3,500	3,153	3,307
Transfers recognised - operating	52,851						2,000	2,000	54,851	55,546	58,268
Other revenue	2,135	-	-	-	-	-	(792)	(792)	1,343	2,242	2,354
Gains on disposal of PPE	3,456						(3,456)	(3,456)	-	3,632	3,810
Total Revenue (excluding capital transfers and contributions)	289,430	-	-	-	-	-	(45,177)	(45,177)	244,252	303,968	319,097

Table 3 Percentage growth in adjusted revenue by main revenue source

Description R thousands	Current Year 2013/14			
	Original Budget	%	Adjusted Budget	%
Revenue By Source				
Property rates	121,098	41.84	81,057	33.21
Property rates - penalties & collection charges	2,811	0.97	1,800	0.74
Service charges - electricity revenue	89,337	30.87	88,239	36.16
Service charges - refuse revenue	10,889	3.76	9,889	4.05
Service charges – other	1,240	0.43	1,700	0.70
Rental of facilities and equipment	1,162	0.40	690	0.28
Interest earned - external investments	450	0.16	282	0.12
Interest earned - outstanding debtors	-	-	33	-
Dividends received	-	-	368	-
Fines	1,000	0.35	300	0.12
Licences and permits	3,000	1.04	3,500	1.43
Transfers recognised - operational	52,851	18.26	54,851	22.48
Other revenue	2,135	0.74	1,343	0.55
Gains on disposal of PPE	3,456	1.19	-	-
Total Revenue	289,429	100	244,253	100
Total Revenue from property rates and service charges	225,375	78%	182,685	75%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the Adjusted budget for 2013/14 financial year, revenue from rates and services charges totalled R182 million or 75 per cent. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SB1.

Electricity service charges is the first largest revenue source totalling 36.16 per cent or R88.2million rand by 2013/14 Adjusted and decreases from R89.3million by 2013/14 Original. Property rates is the second largest revenue source totalling 33.21 per cent or R81.0million rand by 2013/14 Adjusted and decreases from R121.0million by 2013/14 Original. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees.

Operating grants and transfers total R52, 8 million in the 2013/14 Original Budget and steadily increases to R54.8 million by 2013/14 Adjusted Budget.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Adjusted Operating Transfers and Grant Receipts

Description	Budget Year 2013/14							Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	7 A1	8 B	9 C	10 D	11 E	12 F		
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	50,390	-	-	-	-	-	50,390	50,346	50,286
Local Government Equitable Share	47,950				-	-	47,950	47,712	47,669
Finance Management	1,550				-	-	1,550	1,700	1,650
Municipal Systems Improvement	890				-	-	890	934	967
Provincial Government:	2,461	-	-	-	-	-	4,461	2,585	2,713
Sport and Recreation					-	-			
KZN Arts and Culture	1,221				-	-	1,221	1,282	1,346
LED					-	-			
Library	240				-	-	240	252	265
EPWP	1,000				-	-	1,000	1,051	1,102
Housing					2,000	2,000	2,000		
Total Operating Transfers and Grants	52,851	-	-	-	-	-	54,851	52,931	52,999
<u>Capital Transfers and Grants</u>									
National Government:	18,342	-	-	-	-	-	18,342	16,552	17,293
Municipal Infrastructure Grant (MIG)	18,342				-	-	18,342	16,552	17,293
Provincial Government:	35,557	-	-	-	(6,880)	(6,880)	28,677	-	-
Small town rehabilitation	14,880				(6,880)	(6,880)	8,000		
Housing/ Sports and recreation					-	-			
Shayamoya Eco-Complex	13,677				-	-	13,677		
Development of light industrial park	7,000				-	-	7,000		
#REF!	40,205	-	-	-	(40,205)	(40,205)	-	-	-
DOE	6,056				(6,056)	(6,056)	-		
COGTA	34,149				(34,149)	(34,149)	-		
Total Capital Transfers and Grants	94,104	-	-	-	(47,085)	(47,085)	47,019	16,552	17,293
TOTAL RECEIPTS OF TRANSFERS & GRANTS	146,955	-	-	-	(47,085)	(47,085)	101,870	69,483	70,292

1.4 Adjusted Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of adjusted operating expenditure by standard classification item

Description	Ref	Budget Year 2013/14										Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	2	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H	11	12	13
Expenditure By Type	-												
Employee related costs		89,180	-	-	-	-	-	(6,709)	(6,709)	82,471	93,640	98,231	
Remuneration of councillors		4,880						(35)	(35)	4,845	5,129	5,380	
Debt impairment		5,000						10,000	10,000	15,000	5,255	5,512	
Depreciation & asset impairment		25,000	-	-	-	-	-	15,000	15,000	40,000	26,250	27,563	
Finance charges		2,990						(819)	(819)	2,171	1,251	1,312	
Bulk purchases		64,487	-	-	-	-	-	5,513	5,513	70,000	67,712	71,097	
Other materials		-						-	-	-	-	-	
Contracted services		14,170	-	-	-	-	-	4,650	4,650	18,820	14,913	15,620	
Transfers and grants		3,210						1,867	1,867	5,077	3,374	3,546	
Other expenditure		37,172	-	-	-	-	-	(8,172)	(8,172)	29,000	39,033	40,986	
Loss on disposal of PPE		-						-	-	-	-	-	
Total Expenditure		246,089	-	-	-	-	-	18,923	18,923	267,389	256,557	269,247	
Surplus/(Deficit)		43,341	-	-	-	-	-	(66,472)	(66,472)	(23,131)	47,411	49,850	
Transfers recognised - capital		94,104						(47,085)	(47,085)	47,019	16,552	17,293	
Contributions								-	-	-	-	-	
Contributed assets								-	-	-	-	-	
Surplus/ (Deficit) for the year		137,445	-	-	-	-	-	(113,557)	(111,557)	23,888	63,963	67,143	

The budgeted allocation for employee related costs for the 2013/14 Adjusted Budget totals R80 million, which equals 30.1 per cent of the total operating expenditure.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 Adjusted Budget this amount equates to R15 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R40 million for the 2013/14 Adjusted Budget and equates to 15 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other material comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2013/14 Adjusted Budget the appropriation against this group of expenditure has grown by 18 per cent (R47.8 million) .

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Further details relating to contracted services can be seen in Table 64 MBRR SB1.

The following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.

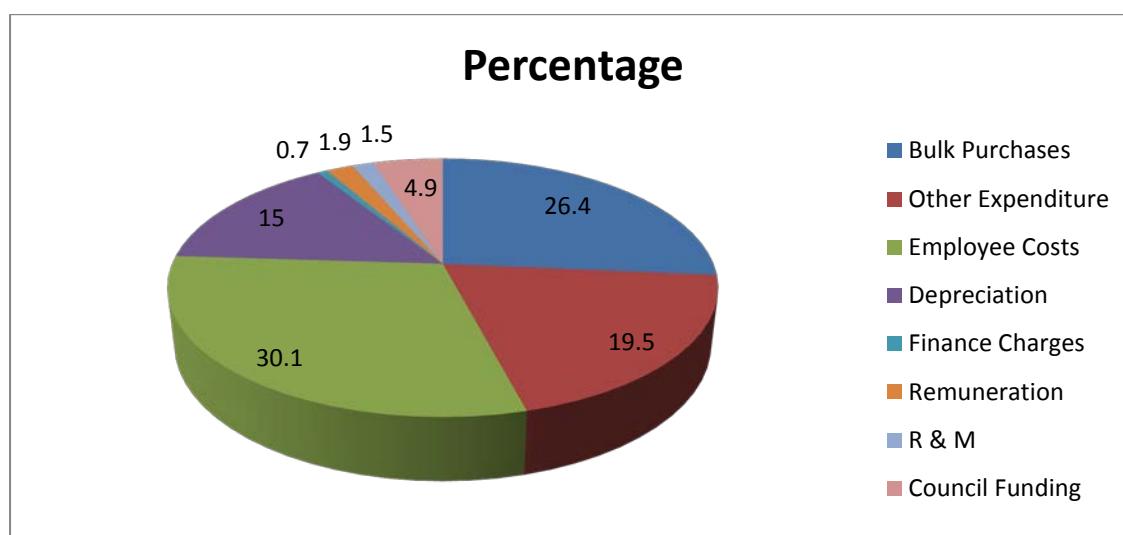


Figure 1 Main adjusted operational expenditure categories for the 2013/14 financial year

1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2013/14 Adjusted MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. During the 2013 Adjustment Budget this allocation was adjusted slightly downwards to R4 million owing to the cash flow challenges faced by the Municipality.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 6 Adjusted Repairs and maintenance per asset class

Description R thousands	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi- year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>												
-												
<u>Infrastructure</u>		3,100	-	-	-	-	-	(1,030)	(1,030)	2,070	3,258	3,410
Infrastructure - Road transport		2,300	-	-	-	-	-	(990)	(990)	1,310	3,258	3,410
<i>Roads, Pavements & Bridges</i>		2,300						(990)	(990)	1,310	3,258	3,410
<i>Storm water</i>										-	-	
Infrastructure - Electricity		800	-	-	-	-	-	(40)	(40)	760	-	-
<i>Generation</i>		800						(40)	(40)	760		
<i>Transmission & Reticulation</i>										-	-	
<i>Street Lighting</i>										-	-	
<u>Community</u>		1,540	-	-	-	-	-	(402)	(402)	1,138	1,619	1,701
Parks & gardens										-	-	
Sports Fields & stadia		1,405						(600)	(600)	805	1,477	1,552
Fire, safety & emergency		55						(52)	(52)	3	58	61
Security and policing		80						(50)	(50)	30	84	88
Other								300	300	300		
<u>Other assets</u>		800	-	-	-	-	-	50	50	850	841	884
General vehicles		800						50	50	850	841	884
Specialised vehicles	18	-	-	-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure to be adjusted	1	5,440	-	-	-	-	-	(1,382)	(1,382)	4,058	5,718	5,995

For the 2013/14 adjusted budget, 4 per cent or R4 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a proportion of this allocation totalling 18,7 per cent (R760 thousand), followed by road infrastructure at 32, 3 per cent (R1,3 million). Community assets have been allocated R1, 1million of total repairs and maintenance equating to 28 per cent.

1.5 Adjusted Capital expenditure

The following table provides a breakdown of adjusted budgeted capital expenditure by vote:

Table 7 2013/14 Medium-term adjusted capital budget per vote

Description R thousands	Budget Year 2013/14										Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget A	Prior Adjusted 5 A1	Accum. Funds 6 B	Multi- year capital 7 C	Unfore. Unavoid. 8 D	Nat. or Prov. Govt 9 E	Other Adjusts. 10 F	Total Adjusts. 11 G	Adjusted Budget 12 H	Adjusted Budget	Adjusted Budget	
<u>Capital Expenditure - Standard</u>												
Revenue - Standard	21,677	-	-	-	-	-	(970)	(970)	20,707	11,000	3,000	
Governance and administration	21,677						(1,000)	(1,000)	20,677	8,500		
Executive and council						30	30	30		2,500	3,000	
Budget and treasury office								-		-		
Corporate services	1,450	-	-	-	-	-	(1,450)	(1,450)	-	25,200	11,500	
Community and public safety	400						(400)	(400)		14,500	6,000	
Community and social services	550						(550)	(550)		-	2,950	
Sport and recreation	500						(500)	(500)		-	7,750	
Public safety								-		-		
Housing								-		-		
Health	67,716	-	-	-	-	-	(29,633)	(29,633)	38,083	37,900	6,000	
Economic and environmental services	23,838						(23,838)	(23,838)		-		
Planning and development	43,878						(5,795)	(5,795)	38,083	37,900	6,000	
Road transport								-		-		
Environmental protection	14,127	-	-	-	-	-	(12,781)	(12,781)	1,346	16,000	9,500	
Trading services	13,877						(12,531)	(12,531)	1,346	16,000	9,500	
Electricity								-		-		
Water								-		-		
Waste water management	250						(250)	(250)		-		
Waste management								-		-		
Total Capital Expenditure - Standard	104,970	-	-	-	-	-	(44,834)	(44,834)	60,136	90,100	30,000	

For 2013/14 adjusted budget an amount of R38.1million has been appropriated for the development of infrastructure which represents 63.3 per cent of the total capital budget. Transport and roads receives the highest allocation of R38 million in 2013/14 adjusted budget.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR B9 (Asset Management). In addition to the MBRR Table B9, MBRR Tables SB34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35. This table shows that future operational costs associated with the capital programme totals R104.9million in 2013/14 and escalates to R105.3million by 2015/16. It needs to be noted that as part of the 2013/14 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.6 Annual Adjustment Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 8 MBRR Table B1 – Adjustment Budget Summary

Description	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget R thousands	Prior Adjusted 1 A1	Accum. Funds 2 B	Multi-year capital 3 C	Unfore. Unavoid. 4 D	Nat. or Prov. Govt 5 E	Other Adjusts. 6 F	Total Adjusts. 7 G	Adjusted Budget 8 H	Adjusted Budget	Adjusted Budget
<u>Financial Performance</u>											
Property rates	123,910	–	–	–	–	–	(41,053)	(41,053)	82,857	130,108	136,611
Service charges	101,466	–	–	–	–	–	(1,638)	(1,638)	99,828	106,541	111,868
Investment revenue	450	–	–	–	–	–	(168)	(168)	282	473	496
Transfers recognised - operational	52,851	–	–	–	–	–	2,000	2,000	54,851	55,546	58,268
Other own revenue	10,753	–	–	–	–	–	(4,519)	(4,519)	6,234	11,300	11,854
Total Revenue (excluding capital transfers and contributions)	289,430	–	–	–	–	–	(45,177)	(45,177)	244,253	303,968	319,097
Employee costs	89,180	–	–	–	–	–	(6,709)	(6,709)	82,471	93,640	98,231
Remuneration of councillors	4,880	–	–	–	–	–	(35)	(35)	4,845	5,129	5,380
Depreciation & asset impairment	25,000	–	–	–	–	–	15,000	15,000	40,000	26,250	27,563
Finance charges	2,990	–	–	–	–	–	(819)	(819)	2,171	1,251	1,312
Materials and bulk purchases	64,487	–	–	–	–	–	5,513	5,513	70,000	67,712	71,097
Transfers and grants	3,210	–	–	–	–	–	1,867	1,867	5,077	3,374	3,546
Other expenditure	56,342	–	–	–	–	–	6,478	6,478	62,820	59,201	62,118
Total Expenditure	246,089	–	–	–	–	–	21,294	21,294	267,383	256,557	269,247
Surplus/(Deficit)	43,341	–	–	–	–	–	(66,472)	(66,472)	(23,131)	47,411	49,850
Transfers recognised - capital	94,104	–	–	–	–	–	(47,085)	(47,085)	47,019	16,552	17,293
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	137,445	–	–	–	–	–	(113,557)	(113,557)	23,888	63,963	67,143
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–	–
Surplus/ (Deficit) for the year	137,445	–	–	–	–	–	(113,557)	(113,557)	23,888	63,963	67,143
<u>Capital expenditure & funds sources</u>											
Capital expenditure	104,970	–	–	–	–	–	(44,834)	(44,834)	60,136	90,100	30,000
Transfers recognised - capital	94,104	–	–	–	–	–	(47,085)	(47,085)	47,019	36,967	17,293
Public contributions & donations	–	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–	–

Internally generated funds	10,866	-	-	-	-	-	2,251	2,251	13,117	53,133	12,707
Total sources of capital funds	104,970	-	-	-	-	-	(44,835)	(44,835)	60,136	90,100	30,000
<u>Financial position</u>											
Total current assets	50,504	-	-	-	-	-	(6,836)	(6,836)	43,668	80,949	83,626
Total non current assets	450,948	-	-	-	-	-	46,693	46,693	497,641	473,411	496,094
Total current liabilities	37,869	-	-	-	-	-	8,950	8,950	46,819	36,331	38,112
Total non current liabilities	22,443	-	-	-	-	-	581	581	23,024	22,443	22,443
Community wealth/Equity	441,139	-	-	-	-	-	30,328	30,328	471,467	452,521	474,695
<u>Cash flows</u>											
Net cash from (used) operating	100,331	-	-	-	-	-	(34,300)	(34,322)	66,009	105,446	110,825
Net cash from (used) investing	(101,514)	-	-	-	-	-	41,378	41,378	(60,136)	(87,268)	(26,683)
Net cash from (used) financing	(2,699)	-	-	-	-	-	1,179	1,179	(1,520)	(2,836)	4,271
Cash/cash equivalents at the year end	(7,182)	-	-	-	-	-	11,012	11,012	3,830	8,160	80,252
<u>Cash backing/surplus reconciliation</u>											
Cash and investments available	(5,242)	-	-	-	-	-	38,027	38,027	32,785	11,004	11,664
Application of cash and investments	#####	-	-	-	-	-	#####	#####	#####	#####	#####
Balance - surplus (shortfall)	#####	-	-	-	-	-	#####	#####	#####	#####	#####
<u>Asset Management</u>											
Asset register summary (WDV)	555,032	-	-	-	-	-	(81,565)	(81,565)	473,467	528,244	538,994
Depreciation & asset impairment	25,000	-	-	-	-	-	15,000	15,000	40,000	26,250	27,563
Renewal of Existing Assets	59,361	-	-	-	-	-	(21,248)	(21,248)	38,113	56,650	12,500
Repairs and Maintenance	5,440	-	-	-	-	-	(1,382)	(1,382)	4,058	5,718	5,995
<u>Free services</u>											
Cost of Free Basic Services provided	440	-	-	-	-	-	-	-	440	470	503
Revenue cost of free services provided	29,018	-	-	-	-	-	-	-	29,018	31,048	33,222
<u>Households below minimum service level</u>											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	1,490	-	-	-	-	-	-	-	1,490	1,594	1,706

Explanatory notes to MBRR Table B1 – Adjustment Budget Summary

1. Table B1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which

- i. Transfers recognised is reflected on the Financial Performance Budget;
- ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
- 4. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
- 5. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
- 6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 9 MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	Budget Year 2013/14								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousand	1	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H
Revenue - Standard										
<i>Municipal governance and administration</i>										
Executive and council		178,502	–	–	–	–	–	(44,198)	(44,198)	134,304
<i>Mayor and Council</i>		–	–	–	–	–	–	–	–	–
<i>Municipal Manager</i>										
Budget and treasury office		178,402						(44,353)	(44,353)	134,049
Corporate services		100	–	–	–	–	155	155	255	
<i>Other Admin</i>		100					155	155	255	
<i>Community and public safety</i>		8,157	–	–	–	–	154	154	8,311	
Community and social services		2,757					(46)	(46)	2,711	
<i>Libraries and Archives</i>		1,464	–	–	–	–	(3)	(3)	1,461	
<i>Museums & Art Galleries etc</i>									–	
<i>Community halls and Facilities</i>		223					(73)	(73)	150	
<i>Cemeteries & Crematoriums</i>		70					30	30	100	
<i>Other Social</i>		1,000							1,000	
Sport and recreation		160					(60)	(60)	100	
Public safety		5,240	–	–	–	–	260	260	5,500	
<i>Police</i>							460	460	1,700	
<i>Fire</i>		1,240					(200)	(200)	3,800	
<i>Other</i>		4,000								
<i>Economic and environmental services</i>		1,705	–	–	–	–	1,310	1,310	3,015	
Planning and development		1,702	–	–	–	–	1,309	1,309	3,011	
<i>Economic Development/Planning</i>		902					1,659	1,659	2,561	
<i>Town Planning/Building enforcement</i>		800					(350)	(350)	450	
Licensing & Regulation									–	
Road transport		3	–	–	–	–	1	1	4	
<i>Roads</i>		3					1	1	4	
<i>Other</i>									–	
Trading services		101,066	–	–	–	–	(2,442)	(2,442)	98,624	
Electricity		90,177	–	–	–	–	(1,442)	(1,442)	88,735	
<i>Electricity Distribution</i>		90,177					(1,442)	(1,442)	88,735	
<i>Electricity Generation</i>									–	
Waste management		10,889	–	–	–	–	(1,000)	(1,000)	9,889	
<i>Solid Waste</i>		10,889					(1,000)	(1,000)	9,889	
Total Revenue - Standard		289,430	–	–	–	–	(45,176)	(45,176)	244,254	
Expenditure - Standard										
<i>Municipal governance and administration</i>		106,276	–	–	–	–	20,053	20,053	126,329	
Executive and council		24,175	–	–	–	–	(5,813)	(5,813)	18,362	
<i>Mayor and Council</i>		5,701					114	114	5,815	
<i>Municipal Manager</i>		18,474					(5,927)	(5,927)	12,547	
Budget and treasury office		56,372					26,187	26,187	82,559	
Corporate services		25,729	–	–	–	–	(321)	(321)	25,408	
<i>Other Admin</i>		25,729					(321)	(321)	25,408	
<i>Community and public safety</i>		26,769	–	–	–	–	3,484	3,484	30,253	
Community and social services		9,592	–	–	–	–	(1,773)	(1,773)	7,819	
<i>Libraries and Archives</i>		3,424					(1,593)	(1,593)	1,831	
<i>Museums & Art Galleries etc</i>									–	
<i>Community halls and Facilities</i>		971					76	76	1,047	
<i>Cemeteries & Crematoriums</i>		1,359					(73)	(73)	1,286	
<i>Other Social</i>		3,838					(183)	(183)	3,655	
Sport and recreation		5,357					(364)	(364)	4,993	
Public safety		11,820	–	–	–	–	5,621	5,621	17,441	
<i>Police</i>									–	
<i>Fire</i>		3,817					134	134	3,951	
<i>Other</i>		8,003					5,487	5,487	13,490	
<i>Economic and environmental services</i>		22,159	–	–	–	–	(390)	(390)	21,769	

Planning and development	-	11,418	-	-	-	-	-	491	491	11,909
Economic Development/Planning	-	3,404						5,255	5,255	8,659
Town Planning/Building enforcement	-	8,014						(4,764)	(4,764)	3,250
Licensing & Regulation	-									-
Road transport	-	10,741	-	-	-	-	-	(881)	(881)	9,860
Roads	-	8,803						(662)	(662)	8,141
Other	-	1,938						(219)	(219)	1,719
Trading services	-	90,886	-	-	-	-	-	(1,852)	(1,852)	89,034
Electricity	-	77,412	-	-	-	-	-	3,584	3,584	80,996
Electricity Distribution	-	77,412						3,584	3,584	80,996
Electricity Generation	-									-
Waste management	-	13,474	-	-	-	-	-	(5,436)	(5,436)	8,038
Solid Waste	-	13,474						(5,436)	(5,436)	8,038
Total Expenditure - Standard	3	246,090	-	-	-	-	-	21,295	21,295	267,385
Surplus/ (Deficit) for the year		43,340	-	-	-	-	-	(66,471)	(66,471)	(23,131)

Explanatory notes to MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table B4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

Table 10 MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	Budget Year 2013/14								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
<u>Revenue by Vote</u>	1									
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		100	-	-	-	-	-	155	155	255
Vote 3 - BUDGET AND TREASURY		178,402	-	-	-	-	-	(44,353)	(44,353)	134,049
Vote 4 - COMMUNITY AND SOCIAL SERVICES		19,046	-	-	-	-	-	(846)	(846)	18,200
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT		91,882	-	-	-	-	-	(133)	(133)	91,750
Total Revenue by Vote	2	289,430	-	-	-	-	-	(45,176)	(45,176)	244,254
<u>Expenditure by Vote</u>	1									
Vote 1 - EXECUTIVE AND COUNCIL		24,175	-	-	-	-	-	(5,813)	(5,813)	18,362
Vote 2 - CORPORATE SERVICES		25,729	-	-	-	-	-	(321)	(321)	25,408
Vote 3 - BUDGET AND TREASURY		56,372	-	-	-	-	-	26,187	26,187	82,559
Vote 4 - COMMUNITY AND SOCIAL SERVICES		40,243	-	-	-	-	-	(1,952)	(1,952)	38,291
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT		99,571	-	-	-	-	-	3,194	3,194	102,765
Total Expenditure by Vote	2	246,090	-	-	-	-	-	21,295	21,295	267,385
Surplus/ (Deficit) for the year	2	43,340	-	-	-	-	-	(66,471)	(66,471)	(23,131)

Explanatory notes to MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table B3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services*.

Table 11 MBRR Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Revenue By Source												
Property rates	2	121,099	–	–	–	–	–	(40,042)	(40,042)	81,057	127,153	133,511
Property rates - penalties & collection charges		2,811						(1,011)	(1,011)	1,800	2,955	3,100
Service charges - electricity revenue	2	89,337	–	–	–	–	–	(1,098)	(1,098)	88,239	93,804	98,495
Service charges - refuse revenue	2	10,889	–	–	–	–	–	(1,000)	(1,000)	9,889	11,434	12,006
Service charges – other		1,240						460	460	1,700	1,303	1,367
Rental of facilities and equipment		1,162						(472)	(472)	690	1,222	1,281
Interest earned - external investments		450						(168)	(168)	282	473	496
Interest earned - outstanding debtors		–						33	33	33		
Dividends received								368	368	368		
Fines		1,000						(700)	(700)	300	1,051	1,102
Licences and permits		3,000						500	500	3,500	3,153	3,307
Transfers recognised – operating		52,851						2,000	2,000	54,851	55,546	58,268
Other revenue	2	2,135	–	–	–	–	–	(792)	(792)	1,598	2,242	2,354
Gains on disposal of PPE		3,456						(3,456)	(3,456)	–	3,632	3,810
Total Revenue (excluding capital transfers and contributions)		289,430	–	–	–	–	–	(45,378)	(45,378)	244,253	303,968	319,097
Expenditure By Type												
Employee related costs		89,180	–	–	–	–	–	(6,709)	(6,709)	82,471	93,640	98,231
Remuneration of councillors		4,880						(35)	(35)	4,845	5,129	5,380
Debt impairment		5,000						10,000	10,000	15,000	5,255	5,512
Depreciation & asset impairment		25,000	–	–	–	–	–	15,000	15,000	40,000	26,250	27,563
Finance charges		2,990						(819)	(819)	2,171	1,251	1,312
Bulk purchases		64,487	–	–	–	–	–	5,513	5,513	70,000	67,712	71,097
Contracted services		14,170	–	–	–	–	–	4,650	4,650	18,820	14,913	15,620
Transfers and grants		3,210						1,867	1,867	5,077	3,374	3,546
Other expenditure		37,172	–	–	–	–	–	(8,172)	(8,172)	29,004	39,033	40,986
Total Expenditure		246,089	–	–	–	–	–	21,294	24,294	267,383	256,557	269,247
Surplus/(Deficit)		43,341	–	–	–	–	–	(66,472)	(66,472)	(23,131)	47,411	49,850
Transfers recognised – capital		94,104						(47,085)	(47,085)	47,019	16,552	17,293
Surplus/ (Deficit) for the year		137,445	–	–	–	–	–	(113,557)	(113,557)	23,888	63,963	67,143

Explanatory notes to Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R244million in adjusted budget 2013/14. Revenue to be generated from property rates is R81 million in the adjusted budget 2013/14 financial year. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R99 million for the adjusted budget 2013/14 financial year.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
3. The following graph illustrates the major expenditure items per type.

Table 12 MBRR Table B5 – Adjusted Budgeted Capital Expenditure by vote, standard classification and funding source

Description	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget		
<u>Capital expenditure – Vote</u>											
<u>Multi-year expenditure to be adjusted</u>											
Vote 1 - EXECUTIVE AND COUNCIL	14,880	–	–	–	–	–	(6,880)	(6,880)	8,000	–	–
Vote 2 - CORPORATE SERVICES	–	–	–	–	–	–	–	–	–	–	–
Vote 3 - BUDGET AND TREASURY	–	–	–	–	–	–	30	30	30	2,500	3,000
Vote 4 - COMMUNITY AND SOCIAL SERVICES	2,810	–	–	–	–	–	(2,810)	(2,810)	–	5,200	1,500
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT	65,203	–	–	–	–	–	(33,774)	(33,774)	31,429	82,400	25,500
Capital multi-year expenditure sub-total	82,893	–	–	–	–	–	(43,434)	(43,434)	39,459	90,100	30,000
<u>Single-year expenditure to be adjusted</u>											
Vote 1 - EXECUTIVE AND COUNCIL	21,677	–	–	–	–	–	(1,000)	(1,000)	20,677	–	–
Vote 2 - CORPORATE SERVICES	–	–	–	–	–	–	–	–	–	–	–
Vote 3 - BUDGET AND TREASURY	–	–	–	–	–	–	–	–	–	–	–
Vote 4 - COMMUNITY AND SOCIAL SERVICES	400	–	–	–	–	–	(400)	(400)	–	–	–
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT	–	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	22,077	–	–	–	–	–	(1,400)	(1,400)	20,677	–	–
Total Capital Expenditure – Vote	104,970	–	–	–	–	–	(44,834)	(44,834)	60,136	90,100	30,000
<u>Funded by:</u>											
National Government	18,342						–	–	18,342	16,552	17,293
Provincial Government	75,762						(47,085)	(47,085)	28,677	20,415	–
Total Capital transfers recognised	94,104	–	–	–	–	–	(47,085)	(47,085)	47,019	36,967	17,293
Internally generated funds	10,866						2,251	2,251	13,117	53,133	12,707
Total Capital Funding	104,970	–	–	–	–	–	(44,835)	(44,835)	60,136	90,100	30,000

Explanatory notes to Table B5 – Adjusted Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2013/14, capital transfers totals R47 million (78 per cent).These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 13 MBRR Table B6 – Adjusted Budgeted Financial Position

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavail.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
ASSETS												
Current assets												
Cash		(7,182)										
Call investment deposits	1	5,240	–	–	–	–	–	15,699	15,699	8,517	5,502	5,832
Consumer debtors	1	23,658	–	–	–	–	–	(19,028)	19,028	24,268	5,502	5,832
Other debtors		28,243						(14,246)	(14,246)	9,412	41,157	43,174
Current portion of long-term receivables								(27,257)	(27,257)	986	28,243	28,243
Inventory		545						(59)	(59)	486	545	545
Total current assets		50,504	–	–	–	–	–	(6,836)	(6,836)	43,668	80,949	83,626
Non current assets												
Long-term receivables												
Investments												
Investment property												
Investment in Associate												
Property, plant and equipment	1	10,690	–	–	–	–	–	11,471	11,471	22,161	10,690	10,690
Agricultural												
Biological												
Intangible												
Other non-current assets		200						(161)	(161)	39	200	200
Total non current assets		(392)						1,134	1,134	742	(392)	(392)
TOTAL ASSETS		501,452	–	–	–	–	–	46,693	46,693	497,641	473,411	496,094
LIABILITIES												
Current liabilities												
Bank overdraft												
Borrowing												
Consumer deposits												
Bank overdraft		3,300						(3,300)	(3,300)	–		
Borrowing		667	–	–	–	–	–	(281)	(281)	386	701	736
Consumer deposits		3,862						13	13	3,875	4,058	4,257

Trade and other payables		28,859	-	-	-	-	-	7,909	7,909	36,768	30,331	31,817
Provisions		1,181						4,610	4,610	5,791	1,241	1,302
Total current liabilities		37,869	-	-	-	-	-	8,950	8,950	46,819	36,331	38,112
Non current liabilities												
Borrowing	1	9,709	-	-	-	-	-	(784)	(784)	8,925	9,709	9,709
Provisions	1	12,734	-	-	-	-	-	1,365	1,365	14,099	12,734	12,734
Total non current liabilities		22,443	-	-	-	-	-	581	581	23,024	22,443	22,443
TOTAL LIABILITIES		60,312	-	-	-	-	-	9,530	9,530	69,842	58,774	60,555
NET ASSETS	2	441,140	-	-	-	-	-	30,327	30,327	471,467	495,586	519,165
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		441,139	-	-	-	-	-	30,328	30,328	471,467	452,521	474,695
Reserves		-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY		441,139	-	-	-	-	-	30,328	30,328	471,467	452,521	474,695

Explanatory notes to Table B6 – Adjusted Budgeted Financial Position

1. Table B6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR Table B7 – Adjusted Budgeted Cash Flow Statement

Description	Ref	Budget Year 2013/14								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands		A	3	4	5	6	7	8	9	10
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	1	181,476						(10,675)	(10,675)	170,801
Government - operating	1	52,851						2,000	2,000	54,851
Government - capital	1	94,104						(47,085)	(47,085)	47,019
Interest		450						(168)	(168)	282
Dividends								368	368	368
Payments										
Suppliers and employees		(222,350)						17,209	17,209	(205,141)
Finance charges		(2,990)						819	819	(2,171)
Transfers and Grants	1	(3,210)						3,210	3,210	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		100,331	–	–	–	–	–	(34,322)	(34,322)	66,009
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		3,456						(3,456)	(3,456)	–
Decrease (Increase) in non-current debtors										
Decrease (Increase) other non-current receivables										
Decrease (Increase) in non-current investments										
Payments										
Capital assets		(104,970)						44,834	44,834	(60,136)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(101,514)	–	–	–	–	–	41,378	41,378	(60,136)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits		584								584
Payments										
Repayment of borrowing		(3,283)						1,179	1,179	(2,104)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(2,699)	–	–	–	–	–	1,179	1,179	(1,520)
NET INCREASE/ (DECREASE) IN CASH HELD		(3,882)	–	–	–	–	–	8,235	8,235	4,353
Cash/cash equivalents at the year begin:	2	(3,300)						2,777	2,777	(523)
Cash/cash equivalents at the year end:	2	(7,182)	–	–	–	–	–	11,012	11,012	3,830

Explanatory notes to Table B7 – Adjusted Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2013/14 MTREF provide for a further net decrease in cash of R12 million for the 2013/14 financial year resulting in an overall projected positive cash position of R3 million at year end.
4. As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were
5. spending priorities.
6. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 15 MBRR Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	Budget Year 2013/14										Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H			
<u>Cash and investments available</u>													
Cash/cash equivalents at the year end	1	(7,182)	–	–	–	–	–	15,699	15,699	8,517	8,160	80,252	
Other current investments > 90 days		1,940	–	–	–	–	–	22,329	22,329	24,269	24,269	2,844	(68,588)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		(5,242)	–	–	–	–	–	38,027	38,027	32,785	32,785	11,004	11,664
<u>Applications of cash and investments</u>													
Unspent conditional transfers		14,371	–	–	–	–	–	2,971	2,971	17,342	17,342	15,104	15,844
Unspent borrowing										–	–	–	–
Statutory requirements										–	–	–	–
Other working capital requirements	2	#####	–					#####	#####	#####	#####	#####	#####
Other provisions										–	–	–	–
Long term investments committed		–	–					–	–	–	–	–	–
Reserves to be backed by cash/investments		–	–					–	–	–	–	–	–
Total Application of cash and investments:		#####	–	–	–	–	–	#####	#####	#####	#####	#####	#####
Surplus(shortfall)		#####	–	–	–	–	–	#####	#####	#####	#####	#####	#####

Explanatory notes to Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/13 MTREF was not funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 16 MBRR Table B9 - Asset Management

Description R thousands	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi-year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget
CAPITAL EXPENDITURE												
<u>Total New Assets to be adjusted</u>	1	48,159	-	-	-	-	-	(26,136)	(26,136)	22,023	33,450	17,500
Infrastructure - Road transport		11,055	-	-	-	-	-	(11,055)	(11,055)	-	13,050	9,000
Infrastructure - Electricity		13,877	-	-	-	-	-	(12,531)	(12,531)	1,346	8,000	5,000
Infrastructure - Other		-	-	-	-	-	-	-	-	-	1,400	500
Infrastructure		24,932	-	-	-	-	-	(23,586)	(23,586)	1,346	22,450	14,500
Community Other assets	6	23,227	-	-	-	-	-	(2,550)	(2,550)	20,677	8,500	-
-		-	-	-	-	-	-	-	-	-	2,500	3,000
<u>Total Renewal of Existing Assets to be adjusted</u>	2	59,361	-	-	-	-	-	(21,248)	(21,248)	38,113	56,650	12,500
Infrastructure - Road transport		-	-	-	-	-	-	(14,368)	(14,368)	30,113	27,000	8,000
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	29,650	4,500
Infrastructure		44,481	-	-	-	-	-	(14,368)	(14,368)	30,113	56,650	12,500
Community Heritage assets		14,880	-	-	-	-	-	(6,880)	(6,880)	8,000	-	-
-		-	-	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure to be adjusted</u>	4	55,536	-	-	-	-	-	(25,423)	(25,423)	30,113	40,050	17,000
Infrastructure - Road transport		13,877	-	-	-	-	-	(12,531)	(12,531)	1,346	37,650	9,500
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	1,400	500
Infrastructure		69,413	-	-	-	-	-	(37,954)	(37,954)	31,459	79,100	27,000
Community Other assets		38,107	-	-	-	-	-	(9,430)	(9,430)	28,677	8,500	-
-		-	-	-	-	-	-	-	-	-	2,500	3,000
TOTAL CAPITAL EXPENDITURE to be adjusted	2	107,520	-	-	-	-	-	(47,384)	(47,384)	60,136	90,100	30,000
ASSET REGISTER SUMMARY - PPE (WDV)	5											
Infrastructure - Road transport		250,124						(50,199)	(50,199)	199,925	217,686	231,936
Infrastructure - Electricity		155,865						(34,492)	(34,492)	121,373	161,515	158,015
Infrastructure - Water								-	-	-	-	-
Infrastructure - Sanitation								-	-	-	-	-
Infrastructure - Other		48,429						11,699	11,699	60,128	48,429	48,429
Infrastructure		454,418	-	-	-	-	-	(72,992)	(72,992)	381,426	427,630	438,380
Community		35,662						(22,886)	(22,886)	12,776	35,662	35,662
Heritage assets		49,244						(8,105)	(8,105)	41,139	49,244	49,244
Investment properties		10,690						11,471	11,471	22,161	10,690	10,690
Other assets		4,818						11,108	11,108	15,926	4,818	4,818
Intangibles		200						(161)	(161)	39	200	200
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	555,032	-	-	-	-	-	(81,565)	(81,565)	473,467	528,244	538,994
EXPENDITURE OTHER ITEMS												
<u>Depreciation & asset impairment</u>		25,000	-	-	-	-	-	15,000	15,000	40,000	26,250	27,563
<u>Repairs and Maintenance by asset class</u>	3	5,440	-	-	-	-	-	(1,382)	(1,382)	4,058	5,718	5,995
Infrastructure - Road transport		2,300	-	-	-	-	-	(990)	(990)	1,310	3,258	3,410
Infrastructure - Electricity		800	-	-	-	-	-	(40)	(40)	760	-	-
Infrastructure		3,100	-	-	-	-	-	(1,030)	(1,030)	2,070	3,258	3,410
Community		1,540	-	-	-	-	-	(402)	(402)	1,138	1,619	1,701
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	800	-	-	-	-	-	50	50	850	841	884
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		30,440	-	-	-	-	-	13,618	13,618	44,058	31,968	33,558
% of capital exp on renewal of assets		55.2%		0.0%							63.4%	
Renewal of existing assets as % of deprecn		237.4%		0.0%							62.9%	
R&M as a % of PPE		1.0%		0.0%							215.8%	
Renewal and R&M as a % of PPE		11.7%		0.0%							45.4%	
											0.9%	
											1.1%	
											8.9%	
											11.8%	
											3.4%	

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 17 MBRR Table B10 - Basic Service Delivery Measurement

Description	Ref	Budget Year 2013/14										Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi-year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget	
<u>Household service targets</u>	1												
<u>Energy:</u>													
Electricity (at least min. service level)													
Electricity - prepaid (> min.service level)		11,066								11,066,000	11,776	12,601	
Minimum Service Level and Above sub-total		11,066,000	–	–	–	–	–	–	–	11,066,000	11,776,000	12,601,000	
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–	–	–	
Total number of households	5	11,066,000	–	–	–	–	–	–	–	11,066,000	11,776,000	12,601,000	
<u>Refuse:</u>													
Removed at least once a week (min.service)													
Minimum Service Level and Above sub-total		10,144								10,144,000	10,853	11,614	
Removed less frequently than once a week		10,144,000	–	–	–	–	–	–	–	10,144,000	10,853,000	11,614,000	
Using communal refuse dump													
Using own refuse dump		1,490								1,490,000	1,594	1,706	
Other rubbish disposal													
No rubbish disposal													
Below Minimum Service Level sub-total		1,490,000	–	–	–	–	–	–	–	1,490,000	1,594,000	1,706,000	
Total number of households	5	11,634,000	–	–	–	–	–	–	–	11,634,000	12,447,000	13,320,000	
<u>Households receiving Free Basic Service</u>	15												
Electricity/other energy (50kwh per household per month)		5,537								5,537,000	5,925	6,339	
Refuse (removed at least once a week)		4,909								4,909,000	5,253	5,620	
<u>Cost of Free Basic Services provided (R'000)</u>	16												
Electricity/other energy (50kwh per household per month)		200								200	214	229	
Refuse (removed once a week)		240								240	256	274	
Total cost of FBS provided (minimum social package)		440	–	–	–	–	–	–	–	440	470	503	
<u>Highest level of free service provided</u>													
Property rates (R'000 value threshold)		42,800								42,800,000	45,796	49,002	
Electricity (kw per household per month)		57								57,000	65	75	
Refuse (average litres per week)		52								52,000	56	60	
<u>Revenue cost of free services provided (R'000)</u>	17												
Property rates (R15 000 threshold rebate)		3,880								3,880	4,151	4,442	
Property rates (other exemptions, reductions and rebates)		21,430								21,430	22,930	24,535	
Electricity/other energy		2,396								2,396	2,564	2,743	
Refuse		782								782	836	895	
Other		530								530	567	607	
Total revenue cost of free services provided (total social package)		29,018	–	–	–	–	–	–	–	29,018	31,048	33,222	

Explanatory notes to Table B10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Electricity services – backlog will be reduced by 2000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 6000 households budgeted to be electrified in 2013/14.
 - b. Refuse services – backlog will be reduced by 21 000 households in 2013/14, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 90 000 households to be registered as indigent in 2013/14, and therefore entitled to receiving Free Basic Services. The number is set to increase to 105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R23 million in 2013/14, increasing to R25 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R23 million in free services in 2013/14, and it increases to R25 million in 2013/14. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 August 2013. Key dates applicable to the process were:

- **August 2013** – Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2014** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2014** – Submission of report to Council on implementation of budget and financial status of municipality
- **22 January 2014** - Council approves the 2013/14 Mid-year Review s72
- **27 February 2014** - Council approves the 2013/14 Adjustments Budget;
- **March 2014** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2014/15 MTREF is revised accordingly;
- **March 2014** - Tabling in Council of the draft 2014/15 IDP, SDBIP and 2014/15 MTREF for public consultation. Submission of draft Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)

- **April 2014** – Public consultation and participation;
- **April 2014** – Closing date for written comments ,finalisation of the 2014/15 IDP, SDBIP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

2.1.2 IDP and Adjusted Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in May 2011. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends

- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2013/14 MTREF as tabled before Council on 27 March 2013 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 03 to 08 April 2013, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2013/14MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raise
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They

indicated that the municipality must do more to ensure efficiencies and value for money.

2.2 Overview of alignment of adjusted annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the November and December 2011, the Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all six wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

This section aims at providing a synopsis of the development issues arising from the situational analysis of Greater Kokstad Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 5 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure
 Local Economic Development
 Financial Viability and Financial Management
 Municipal Transformation and Institutional Development
 Good Governance and Community Participation
 Spatial and Environmental Planning

1. STRENGTHS

Local Economic Development

- It is relatively close to major hubs (Pietermaritzburg and Port Shepstone) in the province
- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Kokstad town
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Kokstad town
- Strong Functionally Chamber of Business
- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project
- C-MAX Prison

Financial Viability and Financial Management

- Finance Services Department in Place
- Experienced Chief Financial Officer
- Municipal work within its budget

Municipal Transformation and Institutional Development

- Corporate Services Department is in place
- Human resources Development Strategy is in place

- Experienced, qualified and dedicated municipal staff

Good Governance and Community Participation

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy
- Up and running Municipal Website

Spatial and Environmental Planning

- Rugged mountainous terrain
- Contrasting grassland
- Greater Kokstad Municipality is strategically located and accessible to all parts of the district.
- Existence of government extension services.
- Identified development urban areas.

2. WEAKNESSES

Basic Services Delivery and Infrastructure

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- 5.3% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of comprehensive infrastructure and services plan.
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

Local Economic Development

- Insufficient water supply
- Lack of LED institution
- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Greater Kokstad Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Lack of Agricultural Development Plan.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Kokstad Town.

Financial Viability and Financial Management

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

Municipal Transformation and Institutional Development

- Lack of office space
- Lack of staff accommodation

Good Governance and Community Participation

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

Spatial and Environmental Planning

- Illegal occupation of land for informal settlement purposes.
- Mushrooming of informal settlements in flood line areas.
- Deterioration of urban areas
- No integration of environmental, land use and transport management system
- Growth and development is only focusing on primary node (Kokstad town) disadvantaged areas and areas of economic opportunity are neglected.
- Illegal small business operators that conducting business from home without permission are increasing. This has given rise to traffic and safety problems as these areas were not designed for such purposes.

3. OPPORTUNITIES

Basic Services Delivery and Infrastructure

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

Local Economic Development

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land

Financial Viability and Financial Management

- Implementation of MPRA
- Less grant dependency

Municipal Transformation and Institutional Development

- Construction of new offices.
- Agglomeration of various government sector department in one locality

Good Governance and Community Participation

- Ward Committees have been established
- Communication and Public Participation in place
- 2009 -2014 Comprehensive Municipal IDP document in place

Spatial and Environmental Planning

- Eco tourism development

- Urban greening
- Corridor development
- Urban expansion

4. TREATS

Basic Services Delivery and Infrastructure

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

Local Economic Development

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus

Financial Viability and Financial Management

- Poverty and Unemployment rate
- Non- payment of rates

Good Governance and Community Participation

- Low levels of participation by certain stakeholders in the IDP process.

Spatial and Environmental Planning

- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

Summary of Key Priority/Critical Issues

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;
- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Table 18 MBRR Table SB4 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Budget Year 2013/14			Budget Year +1 2014/15	Budget Year +2 2015/16
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Prior Adjusted	Adjusted Budget	Adjusted Budget	Adjusted Budget
<u>Borrowing Management</u>									
Credit Rating	Short term/long term rating				2.5%				
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure				2.5%	0.0%	1.6%	1.8%	-0.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>									
Gearing	Long Term Borrowing/ Funds & Reserves				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>									
Current Ratio	Current assets/current liabilities				133.4%	0.0%	93.3%	222.8%	219.4%
Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities				1190.8%	0.0%	0.0%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities				-0.1	0.0	0.7	0.3	0.3
<u>Revenue Management</u>									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing				81.0%			78.0%	78.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue				17.9%	0.0%	4.3%	22.8%	22.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Creditors Management</u>									
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))				-201.7%			186.6%	17.9%
Creditors to Cash					-401.8%	0.0%	431.7%	371.7%	39.6%
<u>Other Indicators</u>									
Electricity Distribution Losses (2)	Total Volume Losses (kW)								
	Total Cost of Losses (Rand '000)								
Water Distribution Losses (2)	Total Volume Losses (kℓ)								
	Total Cost of Losses (Rand '000)								
Employee costs	Employee costs/(Total Revenue - capital revenue)				30.8%	0.0%	32.8%	30.8%	30.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)				1.9%	0.0%	1.7%	1.9%	1.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)				9.7%	0.0%	17.3%	9.0%	9.0%
<u>IDP regulation financial viability indicators</u>									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)				5032.5%	0.0%	4029.0%	-10735.6%	-11271.8%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services				8.2%	0.0%	3.9%	13.5%	13.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure				0.0	0.0	0.0	0.0	0.4

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Greater Kokstad Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2013/14 financial year the ratio deteriorated to a level 3.9 per cent. As part of the planning guidelines that informed the compilation of the 2013/14 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 1.7 and as part of the financial planning strategy it has been decreased to 0.7 in the 2013/14 financial year.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.4 Overview of budget assumptions

2.4.1 Funding choices and management matters

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.
- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

2.4.2 The Municipal Budget and reporting Regulations

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

2.4.3 MFMA Circular No. 51 and 54

Circular No. 58 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered.

Circular No.67 provides further guidance to municipalities for the preparation of 2013/14 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2013/14 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

2.4.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (81 per cent) of annual billings. Cash flow is assumed to be 81 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.4.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.4.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.5 Overview of budget funding

2.5.1 Medium-term outlook: operating revenue

Figure 2 Breakdown of operating revenue over the 2013/14 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;

- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

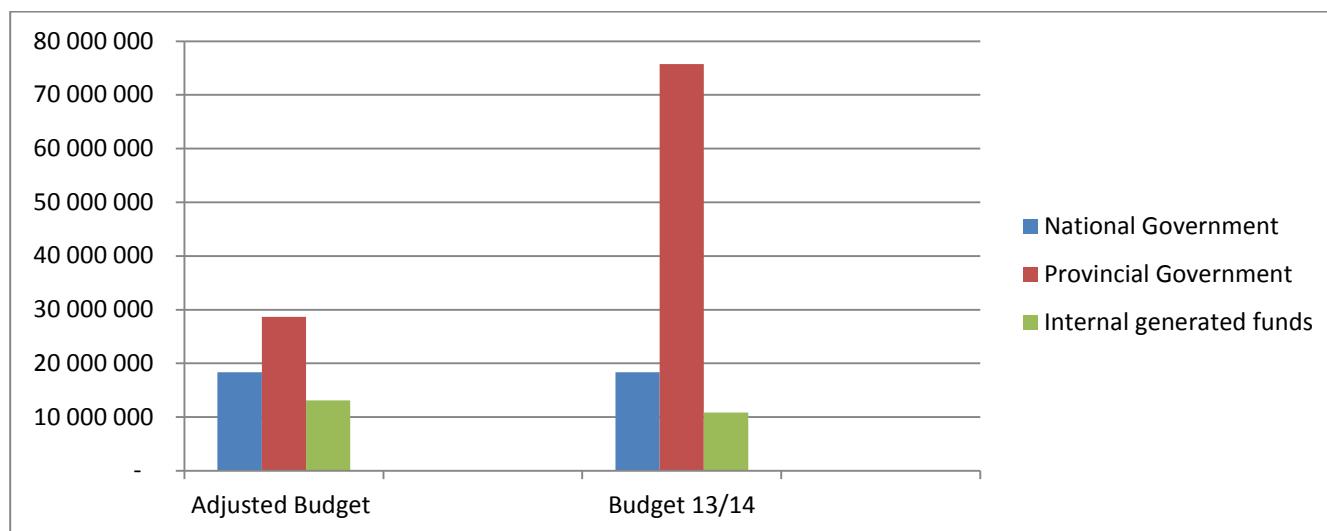
The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2013/14 medium-term capital programme:

Table 19 Sources of adjusted capital revenue over the MTREF

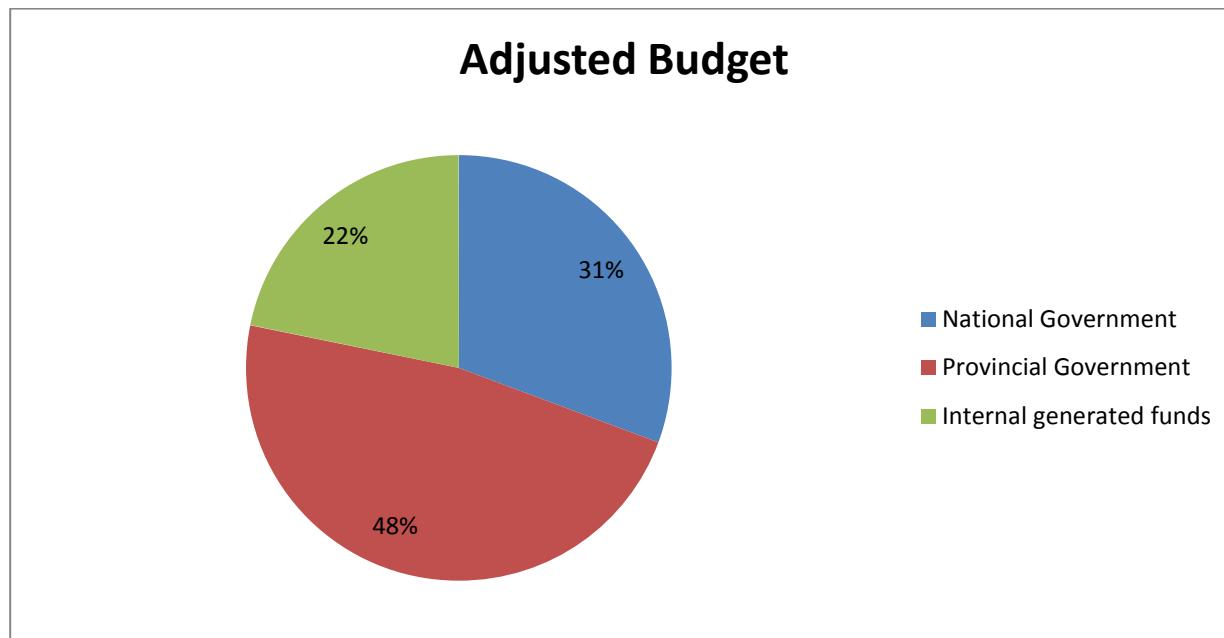
Vote Description		2013/2014 Medium term revenue and expenditure Framework			
R Thousand		Adjusted Budget	%	Budget 13/14	%
<u>Funded by:-</u>					
National Government		18,342,000	31%	18,342,000	17%
Provincial Government		28,677,000	48%	75,762,000	72%
Transfers Recognised - Capital		47,019,000	78%	94,104,000	90%
Public Contributions & donations		-	0%	-	0%
Borrowing		-	0%	-	0%
Internal generated funds		13,117,000	22%	10,866,000	10%
Total Capital Funding		60,136,000	100%	104,970,000	100%



The above table is graphically represented as follows for the 2013/14 financial year.

Figure 3 Sources of capital revenue for the 2013/14 financial year

Capital grants and receipts equates to 24 per cent of the total revenue budget. Capital budget is funded as follows: - 22% is from internally generated funding, 78% is funded from the government grants.



2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 20 MBRR Table B7 - Budget cash flow statement

Description	Ref	Budget Year 2013/14								Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		181,476						(29,035)	(29,035)	152,441	190,731
Government - operating	1	52,851						2,000	2,000	54,851	55,546
Government - capital	1	94,104						(47,085)	(47,085)	47,019	98,903
Interest		450						(168)	(168)	282	473
Dividends								368	368	368	497
Payments											
Suppliers and employees		(222,350)						19,809	19,809	(202,541)	(233,690)
Finance charges		(2,990)						819	819	(2,171)	(3,143)
Transfers and Grants	1	(3,210)						(1,867)	(1,867)	(5,077)	(3,374)
NET CASH FROM/(USED) OPERATING ACTIVITIES		100,331	-	-	-	-	-	(55,159)	(55,159)	45,172	105,446
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		3,456						(3,456)	(3,456)	-	3,632
Decrease (Increase) in non-current debtors								-	-		3,817
Decrease (increase) other non-current receivables	-							-	-		
Decrease (increase) in non-current investments								-	-		
Payments											
Capital assets		(104,970)						44,834	44,834	(60,136)	(90,900)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(101,514)	-	-	-	-	-	41,378	41,378	(60,136)	(87,268)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-	-		
Borrowing long term/refinancing								-	-		
Increase (decrease) in consumer deposits		584						-	-	584	614
Payments											
Repayment of borrowing		(3,283)						1,179	1,179	(2,104)	(3,450)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(2,699)	-	-	-	-	-	1,179	1,179	(1,520)	(2,836)
NET INCREASE/ (DECREASE) IN CASH HELD		(3,882)	-	-	-	-	-	(12,602)	(12,602)	(16,484)	15,342
Cash/cash equivalents at the year begin:	2	(3,300)						28,301	28,301	25,001	(7,182)
Cash/cash equivalents at the year end:	2	(7,182)	-	-	-	-	-	15,699	15,699	8,517	8,160
											80,252

The above table shows that cash and cash equivalents of the Municipality moving from a negative cash balance of R7 million to a surplus of R8 million with the approved 2013/14 MTREF. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R8 million by the financial year end. For the 2013/14 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to R8 million by 2014/15 and increasing to R80 million by 2015/16.

2.5.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 21 MBRR Table B8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	3	4	5	6	7	8	9	10		
Cash and investments available												
Cash/cash equivalents at the year end	1	(7,182)	-	-	-	-	-	15,699	15,699	8,517	8,160	80,252
Other current investments > 90 days		1,940	-	-	-	-	-	22,329	22,329	24,269	2,844	(68,588)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		(5,242)	-	-	-	-	-	38,027	38,027	32,785	11,004	11,664
Applications of cash and investments												
Unspent conditional transfers		14,371	-	-	-	-	-	2,971	2,971	17,342	15,104	15,844
Unspent borrowing										-	-	
Statutory requirements										-	-	
Other working capital requirements	2	#####	-					#####	#####	#####	#####	#####
Other provisions										-	-	
Long term investments committed		-	-					-	-	-	-	-
Reserves to be backed by cash/investments		-	-					-	-	-	-	-
Total Application of cash and investments:		#####	-	-	-	-	-	#####	#####	#####	#####	#####
Surplus(shortfall)		#####	-	-	-	-	-	#####	#####	#####	#####	#####

From the above table it can be seen that the cash and investments available total R24 million in the 2013/14 financial year, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2013/14 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.

- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2013/14 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increasing over the period 2013/14 escalating from (R5 million) to R32 million in the adjustment. It needs to be noted that for all practical purposes the 2013/14 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2013/14 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.5.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.5.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2013/14 MTREF shows R8 million in the adjusted budget.

2.5.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.5.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due.

2.5.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.5.5.5 *Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 9 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.5.5.6 *Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.5.5.7 *Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.5.5.8 *Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.5.5.9 *Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been be excluded. Further details relating to the borrowing strategy of the Municipality can be found on 66.

2.5.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.5.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.5.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C.

2.5.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.6 Expenditure on grants and reconciliations of unspent funds

Table 22 MBRR SB8 - Expenditure on transfers and grant programmes

Description	Ref	Budget Year 2013/14							Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 2 A1	Multi-year capital 3 B	Nat. or Prov. Govt 4 C	Other Adjusts. 5 D	Total Adjusts. 6 E	Adjusted Budget 7 F	Adjusted Budget	Adjusted Budget
R thousands										
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:										
Local Government Equitable Share		50,390	-	-	-	-	-	50,390	50,346	50,286
Finance Management		47,950				-	-	47,950	47,712	47,669
Municipal Systems Improvement		1,550				-	-	1,550	1,700	1,650
Integrated National Electrification Programme		890				-	-	890	934	967
Provincial Government:		2,461	-	-	-	2,000	2,000	4,461	2,585	2,713
Sport and Recreation		1,221				-	-	1,221	1,282	1,346
KZN Arts and Culture						2,000	2,000	2,000		
Housing		240				-	-	240	252	265
Library		1,000				-	-	1,000	1,051	1,102
EPWP		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total operating expenditure of Transfers and Grants:		52,851	-	-	-	2,000	2,000	54,851	52,931	52,999
<u>Capital expenditure of Transfers and Grants</u>										
National Government:										
Municipal Infrastructure Grant (MIG)		18,342	-	-	-	-	-	18,342	16,552	17,293
Provincial Government:		18,342						18,342	16,552	17,293
Housing		-	-	-	-	-	-	28,677	-	-
Sport and recreation								-	-	-
Small town rehabilitation		14,880						(6,880)	(6,880)	8,000
Housing/ Sports and recreation		13,677						-	-	-
Shayamoya Eco-Complex		7,000						-	13,677	
Development of light industrial park		-	-	-	-			-	7,000	
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		40,205	-	-	-	(40,205)	(40,205)	-	-	-
DOE		6,056				(6,056)	(6,056)	-	-	-
COGTA		34,149				(34,149)	(34,149)	-	-	-
Total capital expenditure of Transfers and Grants		58,547	-	-	-	(40,205)	(40,205)	47,019	16,552	17,293
Total capital expenditure of Transfers and Grants		111,398	-	-	-	(38,205)	(38,205)	101,870	69,483	70,292

2.7 Councillor and employee benefits

Table 23 MBRR SB11 - Summary of councillor and staff benefits

Summary of remuneration	Ref	Budget Year 2013/14									% change
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	
<u>Councillors (Political Office Bearers plus Other)</u>											
Basic Salaries and Wages		2,730						(89)	(89)	2,641	-3.3%
Pension and UIF Contributions		660						(10)	(10)	650	-1.6%
Medical Aid Contributions		242						91	91	333	37.6%
Motor Vehicle Allowance		1,012						(37)	(37)	975	-3.6%
Cellphone Allowance		209						1	1	210	
Housing Allowances									-	-	
Other benefits and allowances		27						10	10	37	
Sub Total - Councillors		4,880	-			-		(35)	(35)	4,845	-0.7%
% increase			(0)								(0)
<u>Senior Managers of the Municipality</u>											
Basic Salaries and Wages		2,791						(122)	(122)	2,669	-4.4%
Pension and UIF Contributions		290						(15)	(15)	275	-5.2%
Medical Aid Contributions		171						26	26	197	15.4%
Overtime									-	-	
Performance Bonus		577							-	577	
Motor Vehicle Allowance		904						(30)	(30)	874	-3.4%
Cellphone Allowance		86						(0)	(0)	86	-0.2%
Housing Allowances		249						-	-	249	
Other benefits and allowances		26						-	-	26	
Payments in lieu of leave									-	-	
Long service awards									-	-	
Post-retirement benefit obligations	5								-	-	
Sub Total - Senior Managers of Municipality		5,094	-	-		-		(142)	(142)	4,952	-14.1%
% increase			(0)								(0)
<u>Other Municipal Staff</u>											
Basic Salaries and Wages		53,555						(5,714)	(5,714)	47,841	-10.7%
Pension and UIF Contributions		10,820							-	10,820	0.0%
Medical Aid Contributions		4,122							-	4,122	0.0%

Overtime		2,295					645	645	2,940	28.1%
Performance Bonus		2,217					(419)	(419)	1,798	
Motor Vehicle Allowance		3,184							3,184	0.0%
Cellphone Allowance		271							271	0.0%
Housing Allowances		1,675							1,675	
Other benefits and allowances		4,868							4,868	
Payments in lieu of leave		1,082					(1,082)	(1,082)		
Long service awards										
Post-retirement benefit obligations	5									
Sub Total - Other Municipal Staff		84,089	-	-	-	-	-	(6,570)	(6,570)	77,519
% increase										-10.0%
Total Parent Municipality		94,063	-	-	-	-	-	(6,746)	(6,746)	87,317
COUNCILLOR ALLOWANCES, EMPLOYEE REMUNERATION & ENTITY REMUNERATION		94,063	-	-	-	-	-	(6,746)	(6,746)	87,317
% increase										-9.7%
TOTAL MANAGERS AND STAFF		89,183	-	-	-	-	-	(6,712)	(6,712)	82,471
										-10.2%

1.9. Monthly targets for revenue, expenditure and cash flow

Table 24 MBRR SB14- Budgeted monthly revenue and expenditure

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework				
	July	August	Sept.	October	November	December	January	February	March	April	May	June					
	R thousands	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget						
Revenue By Source																	
Property rates	2,791	4,810	29,216	12,556	3,476	3,070	4,814	4,065	4,065	4,065	4,065	4,065	81,057	127,153	133,511		
Property rates - penalties & collection charges	160	85	276	19	166	283	68	68	68	68	68	68	473	1,800	2,955	3,100	
Service charges - electricity revenue	8,475	9,224	7,818	10,173	7,912	6,219	6,117	6,117	6,117	6,117	6,117	6,117	7,835	88,239	93,804	98,495	
Service charges - refuse	824	824	824	824	824	824	824	824	824	824	824	824	9,889	11,434	12,006		
Service charges - other	27	25	27	32	29	25	256	256	256	256	256	256	256	1,700	1,303	1,367	
Rental of facilities and equipment	44	60	10	26	22	6	87	87	87	87	87	87	87	690	1,222	1,281	
Interest earned - external investments	7	26	22	34	44	80	12	12	12	12	12	12	12	282	473	496	
Interest earned - outstanding debtors	105	13	104	113	100	74								(476)	33	-	-
Dividends received		368												-	368	-	-
Fines	20	28	64	18	89	10	12	12	12	12	12	12	300	1,051	1,102		
Licences and permits	361	295	269	377	236	83	313	313	313	313	313	313	313	3,500	3,153	3,307	
Transfers recognised - operational	22,529	2,881	-	399	17,295		-	-	11,747	-	-	-	-	54,851	55,546	58,268	
Other revenue	1,716	-	1,674	1,807	102	713								(4,468)	1,544	2,242	2,354
Gains on disposal of PPE														-	-	3,632	3,810
Total Revenue	37,059	18,639	40,304	26,378	30,295	11,387	12,502	11,752	23,499	11,752	11,752	8,932	244,253	303,968	319,097		
Expenditure By Type																	
Employee related costs	7,507	7,363	7,145	7,066	7,160	7,069	6,131	6,131	6,131	6,131	6,131	6,131	6,131	82,471	93,640	98,231	
Remuneration of councillors	360	360	360	360	360	360	448	448	448	448	448	448	448	4,845	5,129	5,380	
Debt impairment	8,949	1,126	698	438	183	8	250	669	669	669	669	669	670	15,000	5,255	5,512	
Depreciation & asset impairment	3,879	3,879	3,879	3,879	1,588	1,588	1,542	3,953	3,953	3,953	3,953	3,953	3,953	40,000	26,250	27,563	
Finance charges	86	85	81	82	78	260	78	290	290	290	290	290	290	2,171	1,251	1,312	
Bulk purchases	14,818	4,803	8,885	5,095	4,979	4,632	4,465	4,465	4,465	4,465	4,465	4,465	4,465	70,000	67,712	71,097	
Contracted services	2,068	714	3,612	3,357	1,017	2,222	972	972	972	972	972	972	972	18,820	14,913	15,620	
Grants and subsidies	4,141	85	85	85	85	85	85	85	85	85	85	85	86	5,077	3,374	3,546	
Other expenditure	4,038	6,055	5,159	3,806	3,714	1,430	763	763	763	763	763	763	987	29,004	39,033	40,986	
Loss on disposal of PPE														-	-	-	

Total Expenditure	45,846	24,470	29,904	24,169	19,164	17,654	14,733	17,775	17,775	17,775	17,745	20,371	267,383	256,557	269,247
Surplus/(Deficit)	(8,788)	(5,831)	10,400	2,209	11,131	(6,267)	(2,232)	(6,023)	5,724	(6,023)	(5,993)	(11,439)	(23,131)	47,411	49,850
Transfers recognised - capital	12,167				3,500	8,000	6,175		5,000			12,177	47,019	16,552	17,293
Contributions												–	–	–	–
Contributed assets												–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	3,379	(5,831)	10,400	2,209	14,631	1,733	3,943	(6,023)	10,724	(6,023)	(5,993)	738	23,888	63,963	67,143

Table 25 MBRR SB12 - Budgeted monthly revenue and expenditure (municipal vote)

Description R thousands	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework
		July	August	Sept.	October	November	December	January	February	March	April	May	June	
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget						
Revenue by Vote														
Vote 1 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	53				–	202	255
Vote 2 - CORPORATE SERVICES														
Vote 3 - BUDGET AND TREASURY		78,730	5,576	5,267	16,041	1,401	3,419	3,936	3,936	3,936	3,936	3,936	134,049	
Vote 4 - COMMUNITY AND SOCIAL SERVICES		1,216	1,019	1,110	1,190	1,128	998	1,923	1,923	1,923	1,923	1,923	1,924	18,200
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT		8,977	8,631	7,462	6,748	6,632	6,615	7,781	7,781	7,781	7,781	7,781	7,780	91,750
Total Revenue by Vote		88,923	15,226	13,839	23,979	9,161	11,032	13,693	13,640	13,640	13,640	13,640	13,842	244,254
Expenditure by Vote	–													
Vote 1 - EXECUTIVE AND COUNCIL		1,171	1,150	2,153	1,253	1,502	721	1,632	1,632	1,632	1,632	1,632	1,655	17,763
Vote 2 - CORPORATE SERVICES		1,620	1,527	1,552	2,392	1,913	1,953	2,287	2,287	2,287	2,287	2,287	2,490	24,884
Vote 3 - BUDGET AND TREASURY		14,178	2,637	16,154	6,625	5,559	2,696	5,720	5,720	5,720	5,720	5,720	5,720	82,169
Vote 4 - COMMUNITY AND SOCIAL SERVICES		3,097	2,785	2,815	3,279	5,686	3,068	2,870	2,870	2,870	2,870	2,870	2,870	37,952
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT		13,667	18,982	10,885	7,013	9,170	15,409	4,520	4,520	4,520	4,520	4,520	4,520	102,245
Total Expenditure by Vote		33,733	27,081	33,559	20,562	23,830	23,847	17,029	17,029	17,029	17,029	17,029	17,256	265,013
Surplus/ (Deficit)		55,190	(11,855)	(19,720)	3,417	(14,669)	(12,815)	(3,336)	(3,389)	(3,389)	(3,389)	(3,389)	(3,414)	(20,759)

Table 26 MBRR SB13 - Budgeted monthly revenue and expenditure (standard classification)

Description - Standard classification	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework	
		July	August	Sept.	October	November	December	January	February	March	April	May	June		
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget							
R thousands														Budget Year 2013/14	
Revenue - Standard															
<i>Governance and administration</i>		78,730	5,576	5,267	16,041	1,401	3,419	3,989	3,936	3,936	3,936	3,936	4,138	134,304	
Executive and council			–	–		–	–						–	–	
Budget and treasury office		78,730	5,576	5,267	16,041	1,401	3,419	3,936	3,936	3,936	3,936	3,936	3,936	134,049	
Corporate services								53					202	255	
<i>Community and public safety</i>		479	410	386	538	363	221	969	969	1,069	969	969	969	8,311	
Community and social services		9	11	13	13	10	13	440	440	440	440	440	440	2,711	
Sport and recreation										100				100	
Public safety		470	399	373	525	353	208	529	529	529	529	529	529	5,500	
<i>Economic and environmental services</i>		94	66	87	99	70	101	417	416	416	416	416	416	3,015	
Planning and development		93	65	86	99	70	101	416	416	416	416	416	416	3,011	
Road transport		1	1	1				1						4	
<i>Trading services</i>		9,621	9,176	8,101	7,301	7,328	7,292	8,301	8,301	8,301	8,301	8,301	8,301	98,624	
Electricity		8,887	8,566	7,375	6,649	6,562	6,514	7,364	7,364	7,364	7,364	7,364	7,364	88,735	
Waste management		734	610	726	652	766	778	937	937	937	937	937	938	9,889	
Total Revenue - Standard		88,924	15,228	13,841	23,979	9,162	11,033	13,675	13,622	13,722	13,622	13,622	13,824	244,254	
Expenditure - Standard															
<i>Governance and administration</i>		16,969	5,314	19,859	10,270	8,974	5,370	9,639	9,639	9,639	9,639	9,639	9,639	9,865	124,816
Executive and council		1,171	1,150	2,153	1,253	1,502	721	1,632	1,632	1,632	1,632	1,632	1,632	1,655	17,763
Budget and treasury office		14,178	2,637	16,154	6,625	5,559	2,696	5,720	5,720	5,720	5,720	5,720	5,720	5,720	82,169
Corporate services		1,620	1,527	1,552	2,392	1,913	1,953	2,287	2,287	2,287	2,287	2,287	2,287	2,490	24,884
<i>Community and public safety</i>		2,328	2,191	2,152	2,627	4,426	2,393	2,300	2,300	2,300	2,300	2,300	2,300	2,300	29,914
Community and social services		615	541	399	614	884	546	671	671	671	671	671	671	671	7,626
Sport and recreation		350	326	425	401	744	351	399	399	399	399	399	399	399	4,993
Public safety		1,363	1,324	1,328	1,612	2,798	1,496	1,229	1,229	1,229	1,229	1,229	1,229	1,229	17,295
<i>Economic and environmental services</i>		2,145	1,546	1,588	1,480	2,892	2,187	1,579	1,579	1,579	1,579	1,579	1,579	1,579	21,311
Planning and development		1,499	805	967	855	1,614	1,586	688	688	688	688	688	688	688	11,451
Road transport		646	741	621	625	1,278	601	891	891	891	891	891	891	892	9,860
<i>Trading services</i>		12,293	18,032	9,961	6,185	7,538	13,925	3,506	3,506	3,506	3,506	3,506	3,506	3,506	88,972
Electricity		11,523	17,437	9,298	5,533	6,278	13,223	2,940	2,940	2,940	2,940	2,940	2,940	2,940	80,934
Waste management		770	595	663	652	1,260	702	566	566	566	566	566	566	566	8,038
<i>Other</i>														–	–
Total Expenditure - Standard		33,735	27,083	33,560	20,562	23,830	23,875	17,024	17,024	17,024	17,024	17,024	17,024	19,622	267,385
Surplus/ (Deficit) 1.		55,189	(11,855)	(19,719)	3,417	(14,668)	(12,842)	(3,348)	(3,402)	(3,302)	(3,402)	(3,402)	(5,798)	(23,131)	

Table 27 MBRR SB16 - Budgeted monthly capital expenditure (municipal vote)

R thousands	Ref	Budget Year 2013/14											Medium Term Revenue and Expenditure Framework	
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget					
<u>Multi-year expenditure appropriation</u>	1				74	427	412	1,181	1,181	1,181	1,181	1,181	1,181	8,000
Vote 1 - EXECUTIVE AND COUNCIL														
Vote 2 - CORPORATE SERVICES														
Vote 3 - BUDGET AND TREASURY					24								6	30
Vote 4 - COMMUNITY AND SOCIAL SERVICES														
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT														
Capital Multi-year expenditure sub-total	3	1,199	2,276	4,158	2,886	469	234	722	3,897	3,897	3,897	3,897	3,897	31,429
<u>Single-year expenditure appropriation</u>														
Vote 1 - EXECUTIVE AND COUNCIL														20,677
Vote 2 - CORPORATE SERVICES														
Vote 3 - BUDGET AND TREASURY														
Vote 4 - COMMUNITY AND SOCIAL SERVICES														
Vote 5 - INFRASTRUCTURE PLANNING AND DEVELOPMENT														
Capital single-year expenditure sub-total	3	-	-	-	-		234	-	3,407	3,407	3,407	3,407	3,408	20,677
Total Capital Expenditure	2	1,199	2,276	4,158	2,984	1,129	646	5,310	8,486	8,486	8,486	8,486	8,492	60,136

Table 28 MBRR SB17 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2013/14											Medium Term Revenue and Expenditure Framework
		July	August	Sept.	October	November	December	January	February	March	April	May	
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget					
R thousands													Budget Year 2013/14
Capital Expenditure - Standard													
<i>Governance and administration</i>		-	-	-	24	234	-	3,407	3,407	3,407	3,407	3,407	3,414 20,707
Executive and council		-	-	-	-	234	-	3,407	3,407	3,407	3,407	3,407	3,408 20,677
Budget and treasury office					24								6 30
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-
Community and social services													-
Sport and recreation													-
Public safety													-
Housing													-
<i>Economic and environmental services</i>		1,199	2,043	3,727	2,824	896	646	1,903	5,078	5,078	5,078	5,078	4,533 38,083
Planning and development		1,199	2,043	3,727	2,824	896	646	1,903	5,078	5,078	5,078	5,078	- -
Road transport													4,533 38,083
Environmental protection		-	233	431	136	-	-	-	-	546	-	-	(0) 1,346
<i>Trading services</i>		-	233	431	136					546			(0) 1,346
Electricity													-
Waste management													-
Total Capital Expenditure - Standard		1,199	2,276	4,158	2,984	1,130	646	5,310	8,485	9,031	8,485	8,485	7,947 60,136

2.8 Capital expenditure details

The following two tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 29 MBRR SB 18a - Capital expenditure on new assets by asset class

6 R thousands	Ref	Budget Year 2013/14								
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi-year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
-		24,932	-	-	-	-	-	(23,586)	(23,586)	1,346
<u>Infrastructure</u>										
Infrastructure - Road transport		11,055	-	-	-	-	-	(11,055)	(11,055)	-
<i>Roads, Pavements & Bridges</i>		11,055						(11,055)	(11,055)	-
<i>Storm water</i>										-
Infrastructure - Electricity		13,877	-	-	-	-	-	(12,531)	(12,531)	1,346
<i>Generation</i>		13,877						(12,531)	(12,531)	1,346
<i>Transmission & Reticulation</i>								-	-	-
<i>Street Lighting</i>								-	-	-
<u>Community</u>		23,227	-	-	-	-	-	(2,550)	(2,550)	20,677
Parks & gardens										-
Sports Fields & stadia		2,550						(2,550)	(2,550)	-
Other		20,677								20,677
Total Capital Expenditure on new assets <i>to be adjusted</i>	1	48,159	-	-	-	-	-	(26,136)	(26,136)	22,023

MBRR SB 18b - Capital expenditure on renewal of existing assets by asset class

Description R thousands	Ref	Budget Year 2013/14								
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi- year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>										
-		44,481	-	-	-	-	-	(14,368)	(14,368)	30,113
<u>Infrastructure</u>										
Infrastructure - Road transport		44,481	-	-	-	-	-	(14,368)	(14,368)	30,113
<i>Roads, Pavements & Bridges</i>		44,481						(14,368)	(14,368)	30,113
<i>Storm water</i>										-
<u>Community</u>		14,880	-	-	-	-	-	(6,880)	(6,880)	8,000
Parks & gardens										-
Other		14,880						(6,880)	(6,880)	8,000
Total Capital Expenditure on renewal of existing assets <i>to be adjusted</i>	1	59,361	-	-	-	-	-	(21,248)	(21,248)	38,113

Table 59 MBRR SB 18c - Repairs and maintenance expenditure by asset class

Description	Ref	Budget Year 2013/14								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		3,100	-	-	-	-	-	(1,030)	(1,030)	2,070
Infrastructure - Road transport		2,300	-	-	-	-	-	(990)	(990)	1,310
<i>Roads, Pavements & Bridges</i>		2,300	-	-	-	-	-	(990)	(990)	1,310
<i>Storm water</i>								-	-	-
Infrastructure - Electricity		800	-	-	-	-	-	(40)	(40)	760
<i>Generation</i>		800	-	-	-	-	-	(40)	(40)	760
Community		1,540	-	-	-	-	-	(402)	(402)	1,138
Parks & gardens								-	-	-
Sports Fields & stadia		1,405	-	-	-	-	-	(600)	(600)	805
Fire, safety & emergency		55	-	-	-	-	-	(52)	(52)	3
Security and policing		80	-	-	-	-	-	(50)	(50)	30
Other								300	300	300
Other assets		800	-	-	-	-	-	50	50	850
General vehicles		800	-	-	-	-	-	50	50	850
Specialised vehicles		18	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure to be adjusted	1	5,440	-	-	-	-	-	(1,382)	(1,382)	4,058

Table SB18d Adjustments Budget - depreciation by asset class - 28/02/2014

Description	Ref	Budget Year 2013/14								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavail.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H
R thousands										
Depreciation by Asset Class/Sub-class		17,697	-	-	-	-	-	12,000	12,000	29,697
Infrastructure		17,697	-	-	-	-	-	12,000	12,000	29,697
Infrastructure - Road transport		15,795	-	-	-	-	-	10,000	10,000	25,795
<i>Roads, Pavements & Bridges</i>		15,795	-	-	-	-	-	10,000	10,000	25,795
<i>Storm water</i>								-	-	-
Infrastructure - Other		1,902	-	-	-	-	-	2,000	2,000	3,902
<i>Other</i>	3	1,902	-	-	-	-	-	2,000	2,000	3,902
Community		2,101	-	-	-	-	-	1,000	1,000	3,101
<i>Other</i>		2,101	-	-	-	-	-	1,000	1,000	3,101
Other assets		5,202	-	-	-	-	-	2,000	2,000	7,202
<i>Other</i>		5,202	-	-	-	-	-	2,000	2,000	7,202
Total Depreciation to be adjusted	1	25,000	-	-	-	-	-	15,000	15,000	40,000

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed three interns undergoing training in various divisions of the Financial Services Department. Two additional interns have been advertised and will be appointed with the effect from 26 March 2014.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail adjustment SDBIP document will be finalised after approval of the 2013/14 MTREF in February 2013 directly aligned and informed by the 2013/14 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

2.9 Other supporting documents

Table 30 MBRR Table SB 1 - Supporting detail to budgeted financial performance

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 6 A1	Accum. Funds 7 B	Multi-year capital 8 C	Unfore. Unavoid. 9 D	Nat. or Prov. Govt 10 E	Other Adjusts. 11 F	Total Adjusts. 12 G	Adjusted Budget 13 H	Adjusted Budget	Adjusted Budget
R thousands												
REVENUE ITEMS												
Property rates												
Total Property Rates		154,807										
less Revenue Foregone		33,708										
Net Property Rates		121,099	-	-	-	-	-	(40,042)	(40,042)	81,057	127,153	133,511
Service charges - electricity revenue												
Total Service charges - electricity revenue		89,337						(1,098)	(1,098)	88,239	93,804	98,495
less Revenue Foregone												
Net Service charges - electricity revenue		89,337	-	-	-	-	-	(1,098)	(1,098)	88,239	93,804	98,495
Service charges - refuse revenue												
Total refuse removal revenue		10,889						(1,000)	(1,000)	9,889	11,434	12,006
Total landfill revenue												
less Revenue Foregone												
Net Service charges - refuse revenue		10,889	-	-	-	-	-	(1,000)	(1,000)	9,889	11,434	12,006
Other Revenue By Source												
Reconnection Fees		344						(144)	(144)	200	361	379
Fire Levy												
Planning Fees		800						(239)	(239)	561	840	882
Municipal Recoveries												
Burial Fees		70						191	191	261	74	77
Other revenue		921						(399)	(399)	522	967	1,016
Transfers Recognised capital												
Total 'Other' Revenue	1	2,135	-	-	-	-	-	(591)	(591)	1,544	2,242	2,354
EXPENDITURE ITEMS												
Employee related costs												
Basic Salaries and Wages		57,851						(9,745)	(9,745)	48,106	60,801	63,780
Pension and UIF Contributions		11,181						(118)	(118)	11,063	11,752	12,328
Medical Aid Contributions		4,725						(146)	(146)	4,579	4,966	5,210
Overtime		820						480	480	1,300	862	904
Performance Bonus		2,659						2,375	2,375	5,034	2,794	2,931
Motor Vehicle Allowance		3,515						(391)	(391)	3,124	3,694	3,875
Cellphone Allowance		401						(18)	(18)	383	334	351
Housing Allowances		501						1,417	1,417	1,918	527	553
Other benefits and allowances		6,457						(522)	(522)	5,935	6,786	7,119
Payments in lieu of leave		1,070						(40)	(40)	1,030	1,124	1,180
Long service awards												
Post-retirement benefit obligations												
Less: Employees costs capitalised to PPE	4	89,180	-	-	-	-	-	(6,709)	(6,709)	82,471	93,640	98,231
Total Employee related costs	1	89,180	-	-	-	-	-	(6,709)	(6,709)	82,471	93,640	98,231
Depreciation & asset impairment												
Depreciation of Property, Plant & Equipment		25,000										
Total Depreciation & asset impairment	1	25,000	-	-	-	-	-	15,000	15,000	40,000	26,250	27,563
Bulk purchases												

Electricity		64,487						5,513	5,513	70,000	67,712	71,097
Water												
Total bulk purchases	1	64,487	-	-	-	-	-	5,513	5,513	70,000	67,712	71,097
Contracted services												
Security		2,000						(300)	(300)	1,700	2,102	2,205
Advertising		700						(300)	(300)	400	736	772
Bank Charges		450						350	350	800	473	496
Fuel and Oil		1,000						1,000	1,000	2,000	1,051	1,102
Postage and Courier		500						-	-	500	526	551
Insurance		500						(50)	(50)	450	526	551
Lease Rentals Operating lease		540						260	260	800	586	595
Telephone and Fax		1,100						-	-	1,100	1,156	1,213
Travelling		250						1,486	1,486	1,486	263	276
Valuation cost		250						(90)	(90)	160		
Magazines, Books and Periodicals		500						-	-	-		
ICT Managed services		300						50	50	550	526	551
Electronic Documents Management		300						(100)	(100)	200	315	331
Cellular phone Charges		155						155	155	155		
Financial Managements system		3,000						(600)	(600)	2,400	3,153	3,307
Assets Update		400						-	-	400	420	441
Val Exercise		600						200	200	800	631	661
Revenue enhancement		1,000						1,029	1,029	1,029		
Lease Rentals Finance lease		1,250						1,970	1,970	2,970	1,051	1,102
MaintenanceParks		80						(450)	(450)	800	1,314	1,378
Rental Traffic fines software								40	40	120	84	88
Total contracted services	14,170	-	-	-	-	-	-	4,650	4,650	18,820	14,913	15,620
Other Expenditure By Type												
Repairs and maintenance		6,423						(2,365)	(2,365)	4,058	6,744	7,081
Collection costs		1,200						-	-	1,200	1,260	1,323
Contributions to 'other' provisions		350						-	-	-		
Consultant fees		1,800						(345)	(345)	5	368	386
Audit fees		15,340						-	-	1,800	1,890	1,985
General expenses		667						(5,458)	(5,458)	9,882	16,107	16,912
Subscriptions		1,800						130	130	797	701	736
Legal fees		500						(1,000)	(1,000)	800	1,890	1,985
Electricity network		428						-	-	500	525	551
Printing and stationery		2,440						(201)	(201)	227	449	472
Grant Expenses		730						-	-	2,440	2,562	2,690
Training		300						(180)	(180)	550	767	805
Transport claims		200						-	-	-		
Uniform		93						-	-	300	315	331
Protective clothing		1,250						760	760	960	210	221
Conferences and seminars		800						(14)	(14)	79	98	103
Department consumption		300						1,000	1,000	1,000		
Commission paid		200						150	150	150		
Service costs		700						-	-	-		
LED Projects		600						(1,250)	(1,250)	-	1,313	1,378
Youth,HIV, Gender and Disabled programs		1,051						(980)	(980)	71	1,104	1,159
Community Participation programs		800						(250)	(250)	550	840	882
Publicity and communications		300						-	-	300	315	331
Planning Expenses		200						(200)	(200)	-	210	221
Food for waste		700						(100)	(100)	600	735	772
Meter audit		600						(100)	(100)	500	630	662
Total Other Expenditure	1	37,172	-	-	-	-	-	(8,168)	(5,803)	26,768	39,033	40,986

Table 48 MBRR Table SB2 – Supporting detail to Statement of Financial Position

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget A	Prior Adjusted 4 A1	Accum. Funds 5 B	Multi-year capital 6 C	Unfore. Unavoid. 7 D	Nat. or Prov. Govt 8 E	Other Adjusts. 9 F	Total Adjusts. 10 G	Adjusted Budget 11 H	Adjusted Budget	Adjusted Budget
R thousands												
ASSETS												
Call investment deposits												
Call deposits < 90 days		5,240						19,028	19,028	24,268	5,502	5,832
Other current investments > 90 days												
Total Call investment deposits	1	5,240	-	-	-	-	-	19,028	19,028	24,268	5,502	5,832
Consumer debtors												
Consumer debtors		23,658										
Less: provision for debt impairment		-	-	-	-	-	-	(14,246)	(14,246)	9,412	41,157	43,174
Total Consumer debtors	1	23,658	-	-	-	-	-	(14,246)	(14,246)	9,412	41,157	43,174
Debt impairment provision												
Balance at the beginning of the year								-	-	-	-	-
Contributions to the provision								-	-	-	-	-
Bad debts written off								-	-	-	-	-
Balance at end of year		-	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment												
PPE at cost/valuation (excl. finance leases)		1,029,436						(555,969)	(555,969)	473,467	1,081,937	1,134,952
Leases recognised as PPE		588,986						(588,986)	(588,986)	-	619,024	649,356
Less: Accumulated depreciation												
Total Property, plant & equipment	1	440,450	-	-	-	-	-	33,017	(1,144,955)	473,467	462,913	485,596
LIABILITIES												
Current liabilities - Borrowing												
Short term loans (other than bank overdraft)												
Current portion of long-term liabilities		667						(281)	(281)	386	701	736
Total Current liabilities - Borrowing		667	-	-	-	-	-	(281)	(281)	386	701	736
Trade and other payables												
Creditors												
Unspent conditional grants and receipts		14,488						4,812	4,812	19,300	15,227	15,973
VAT		14,371						2,971	2,971	17,342	15,104	15,844
Total Trade and other payables	1	28,859	-	-	-	-	-	125	125	125	30,331	31,817
Non current liabilities - Borrowing												
Borrowing												
Finance leases (including PPP asset element)		7,158						(4,993)	(4,993)	2,165	7,158	7,158
Total Non current liabilities - Borrowing	3	2,551						4,209	4,209	6,760	2,551	2,551
Provisions - non current												
Retirement benefits		9,709	-	-	-	-	-	(784)	(784)	8,925	9,709	9,709
<i>List other major items</i>												
Refuse landfill site rehabilitation		12,734						1,365	1,365	14,099	12,734	12,734
Other												
Total Provisions - non current		12,734	-	-	-	-	-	1,365	1,365	14,099	12,734	12,734
CHANGES IN NET ASSETS												
Accumulated surplus/(Deficit)												
Accumulated surplus/(Deficit) - opening balance		441,139										
Appropriations to Reserves								30,328	30,328	471,467	452,521	474,695
Transfers from Reserves												
Depreciation offsets												
Other adjustments												
Accumulated Surplus/(Deficit)	1	441,139	-	-	-	-	-	30,328	30,328	471,467	452,521	474,695
Reserves												
Housing Development Fund												
Capital replacement												
Self-insurance												
Other reserves (<i>list</i>)												
Revaluation												
Total Reserves	2	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	441,139	-	-	-	-	-	30,328	30,328	471,467	452,521	474,695

2.10 Municipal manager's quality certificate

I **Zamokuhle Mkhize** Municipal Manager of Greater Kokstad Municipality, hereby certify that the annual adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Greater Kokstad Municipality (KZN 433)

Signature _____

Date _____